

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 AGRE-00 DOE-15 SOE-02 PA-01 L-03

/110 W

-----021926 100153Z /70

R 081703Z SEP 78

FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC 802

C O N F I D E N T I A L MONROVIA 6630

E.O. 11652: GDS

TAGS: EFIN, LI

SUBJECT: EURODOLLAR LOAN FOR LIBERIA

1. SUMMARY: LIBERIA IS NEGOTIATING A \$60 MILLION EURODOLLAR LOAN, WITH CHASE MANHATTAN HEADING THE SYNDICATION. THE LOAN MAY BE SIGNED IN ABOUT TWO MONTHS. END SUMMARY.

2. GENERAL MANAGER OF THE LIBERIAN BRANCH OF CHASE MANHATTAN BANK REPORTS THAT LIBERIA IS NOW IN THE PROCESS OF NEGOTIATING ITS SECOND EURODOLLAR LOAN. THE LOAN WILL BE FOR \$60 MILLION, WHICH INCLUDES A REFINANCING ON SOFTER TERMS OF THE \$30 MILLION FIRST EURODOLLAR LOAN. TERMS WILL BE 8 YEARS WITH 3 YEARS GRACE PERIOD, AND 1-5/8 (ONE AND FIVE-EIGHTHS) PERCENT OVER THE LONDON INTERBANK OFFER RATE (LIBOR--CURRENTLY ABOUT 8.5 PERCENT). THESE TERMS CONSTITUTE AN IMPROVEMENT OVER THE 7 YEARS WITH 2 YEARS GRACE, AND 2 PERCENT OVER LIBOR WHICH THE FIRST LOAN BORE. CHASE MAHATTAN IS HEADING THE SYNDICATION AND HAS BROUGHT IN AN EXPERT FROM THEIR LONDON OFFICE TO WORK WITH THE MINISTRY OF FINANCE IN PREPARING THE LOAN APPLICATION. CONFIDENTIAL

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NINE BANKS PARTICIPATED IN THE FIRST LOAN AND MORE ARE LIKELY THIS TIME; CHASE MAY TAKE UP TO \$20 MILLION ITSELF. SIGNATURE IS ANTICIPATED IN ABOUT TWO MONTHS.

3. CHASE MANHATTAN'S LOCAL REPRESENTATIVE EXPRESSED AMBIVALENCE OVER THE LOAN. HE DECLINED TO CHARACTERIZE

RENEGOTIATION OF THE FIRST LOAN AS "NORMAL" (IT IS NOT YET OUT OF THE GRACE PERIOD), AND DESCRIBED THE SYNDICATION PROBLEM AS ONE OF "TRYING TO MAKE A BAD SITUATION LOOK GOOD." (THIS HAS PARTICULAR REFERENCE TO THE DEPRESSED MARKETING OUTLOOK FOR IRON ORE, LIBERIA'S LEADING EXPORT EARNER--\$274 MILLION IN 1977 OR 61 PERCENT OF EXPORTS, DOWN FROM \$329 MILLION AND 71 PERCENT IN 1976.) ON THE OTHER HAND, HE EXPRESSED OPTIMISM ABOUT THE LONGER TERM ECONOMIC OUTLOOK (ANTICIPATING A RECOVERY OF IRON ORE EXPORTS IN THE EARLY 1980S), AND CONTENDED THAT LOANS TO THE GOVERNMENT OF LIBERIA OR WITH ITS GUARANTEE WERE A SAFE AND PROFITABLE INVESTMENT. BY TAKING THE LEAD, CHASE ASSURED ITSELF OF THE LION'S SHARE OF THE PROFITS.

4. COMMENT: LOCAL COMMERCIAL BANKERS HAVE BEEN EXHIBITING SOME NERVOUSNESS ABOUT LIBERIA'S ECONOMIC HEALTH AS THE ORGANIZATION OF AFRICAN UNITY MEETING APPROACHES. THE LOCAL CHASE MANHATTAN AND CHEMICAL BANK REPRESENTATIVES HAVE INDEPENDENTLY ASKED WHAT THE USG WOULD DO IF LIBERIA RAN INTO PAYMENTS DIFFICULTIES NEXT YEAR. THEY SUGGESTED THAT THE PREVALENT OPINION HERE IS THAT THE USG WOULD STEP IN TO BAIL LIBERIA OUT, AND THAT THIS IS A FACTOR IN MAINTAINING BUSINESS CONFIDENCE. THE REPLY WAS THAT: (A) WHILE THE USG WAS NOT COMMITTED TO ANY CONFIDENTIAL

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COURSE OF ACTION, IT WOULD CERTAINLY CONSIDER SYMPATHETICALLY HOW IT MIGHT HELP; AND (B) IN SERIOUS CASES THE USG PREFERRED THAT THE INTERNATIONAL MONETARY FUND PLAY A LEADING ROLE. THE EMBASSY HAS NO REASON TO BELIEVE THAT THESE INQUIRIES REPRESENT ANYTHING MORE THAN AN ATTEMPT TO PROBE THE LIMITS OF THE "SPECIAL RELATIONSHIP" BETWEEN LIBERIA AND THE UNITED STATES.  
WALKER

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Comment:** 25 YEAR REVIEW  
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